

**Washington State Auditor's Office**  
**Accountability Audit Report**

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**Grant County**

Report Date  
**March 24, 2014**

**Report No. 1011580**

Issue Date  
**April 7, 2014**



**Washington State Auditor**  
**Troy Kelley**

Independence • Respect • Integrity



## Washington State Auditor Troy Kelley

April 7, 2014

Board of Commissioners  
Grant County  
Ephrata, Washington

### ***Report on Accountability***

We appreciate the opportunity to work in cooperation with your County to promote accountability, integrity and openness in government. The State Auditor's Office takes seriously our role to advocate for government accountability and transparency and to promote positive change.

Please find attached our report on Grant County's accountability and compliance with state laws and regulations and its own policies and procedures. Thank you for working with us to ensure the efficient and effective use of public resources.

Sincerely,

**TROY KELLEY**  
STATE AUDITOR

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**March 24, 2014**

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# Audit Summary

**Grant County**  
**March 24, 2014**

## ***ABOUT THE AUDIT***

This report contains the results of our independent accountability audit of Grant County from January 1, 2012 through December 31, 2012.

We evaluated internal controls and performed audit procedures on the activities of the County. We also determined whether the County complied with state laws and regulations and its own policies and procedures.

In keeping with general auditing practices, we do not examine every transaction, activity or area. Instead, the areas examined were those representing the highest risk of noncompliance, misappropriation or misuse. The following areas were examined during this audit period:

- Clerk's Office trust account operations
- Payroll overtime
- Third party cash receipting
- Grant County Investment Pool operations and interest accrual

## ***RESULTS***

In most areas, the County complied with state laws and regulations and its own policies and procedures.

However, we identified a condition significant enough to report as a finding:

- Insufficient controls over the Clerk's Office cash receipting activities increases the risk of misappropriation.

We also noted certain matters that we communicated to County management. We appreciate the County's commitment to resolving those matters.

In addition, during the audit certain matters came to our attention that are currently under investigation.

## **Related Reports**

**Grant County  
March 24, 2014**

### ***FINANCIAL***

Our opinion on the County's financial statements and compliance with federal grant program requirements is provided in a separate report, which includes the County's financial statements.

### ***FEDERAL GRANT PROGRAMS***

We evaluated internal controls and tested compliance with the federal program requirements, as applicable, for the County's major federal programs, which are listed in the Federal Summary section of the financial statement and single audit report.

## Description of the County

### Grant County March 24, 2014

#### ***ABOUT THE COUNTY***

Grant County is located in central Washington and is one of the state's largest counties in geographic size. The County serves approximately 87,500 residents. An elected, three-member Board of Commissioners governs the County. Seven additional elected officials monitor and administer County programs including Assessor, Auditor, Clerk of the Court, Coroner, Prosecutor, Sheriff and Treasurer.

The County operates on a \$97 million annual budget. It has 650 employees who provide an array of services including sheriff/law enforcement, fire prevention, road improvement, judicial administration, health and social services, recreation and general administrative services. The County also operates a sanitary landfill and multiple transfer stations located throughout the County.

#### ***ELECTED OFFICIALS***

These officials served during the audit period:

Board of Commissioners:	Cindy Carter Carolann Swartz Richard Stevens
Assessor	Laure Grammer
Auditor	Dave Firebaugh
Clerk	Kimberly Allen
Prosecuting Attorney	D. Angus Lee
Coroner	Craig Morrison
Sheriff	Tom Jones
Treasurer	Darryl Pheasant
Superior Court Judges:	Evan Sperline John Antosz John Knodell
District Court Judges:	Janis Whitener-Moberg Richard Fitterer

Note: The County expanded the District Court in 2013 to include a third Judge. Tyson Hill was appointed to that position and began service in July 2013.

## ***APPOINTED OFFICIALS***

Chief Accountant	Ken Holloway (through August 2012) Jacob Taylor (effective October 2012)
Director of Public Works, County Engineer	Derek Pohle
Emergency Management Director	Robert Schneider
Executive Director of Grant Integrated Services	Jalane Christian-Stoker (through August 2012) LeRoy Allison (effective November 2012)
Human Resources Director	Tammie Hechler
Director of Community Development	David Nelson
Youth Services Administrator	Warren Swanson
Facilities and Maintenance Manager	Royer De Chenne
Fair and Facilities Manager	Jerry Gingrich
Director of Public Defense	Stephen Kozer
Director of Technology Services	Gary Baker

Note: The County established the Department of Planning in 2013, separate from the Department of Community Development. Damien Hooper was appointed Director of Planning. At that time, the Department of Community Development was disbanded and David Nelson became the Building Director. In addition, Brett Hill became Director of Public Defense in June 2013, Jeff Tincher became the Director of Public Works/County Engineer in July 2013, and Thomas Gaines became Facilities and Maintenance Manager in July 2013.

## ***COUNTY CONTACT INFORMATION***

Address:	Grant County 35 C Street N.W. P.O. Box 37 Ephrata, WA 98823-0037
Phone:	509-754-2011
Website:	<a href="http://www.co.grant.wa.us">www.co.grant.wa.us</a>

## ***AUDIT HISTORY***

We audit the County annually. The past seven accountability audits of the County reported two findings, one in 2007 and one in 2010. These findings related to construction contract change orders and timeliness of property assessment procedures. We consider these issues to be resolved.

# Schedule of Audit Findings and Responses

Grant County  
March 24, 2014

## 1. **Insufficient controls over the Clerk's Office cash receipting activities increases the risk of misappropriation.**

### **Description of Condition**

The County Clerk is responsible for processing and managing all Superior Court records and financial transactions. In 2012 the Grant County Clerk's Office receipted approximately \$550,000. During prior audits, we found that the Clerk's Office did not have adequate internal controls over cash receipting and related activities. Specifically, we noted the Accounting Deputy had responsibility for opening incoming mail, receipting payments, making adjustments in the Court's case and financial management system, preparing checks from trust accounts, and reconciling bank statements. These activities were done without detailed review and approval of transaction adjustments by someone independent of the normal receipting process, or bank statement reconciliations.

In early 2012, the Clerk discussed several proposed changes to procedures with our auditors. However, during our audit of 2012, we found no evidence that these procedures had been implemented.

### **Cause of Condition**

Management in the Clerk's Office placed significant reliance on the Accounting Deputy to have the skills and judgment necessary to carry out required financial duties. Management did not ensure that intended changes to procedures, such as a detailed review of adjustment transaction reports and verification of bank statement reconciliations, were implemented.

### **Effect of Condition**

By not consistently monitoring cash receipting and bank reconciliation activities, financial transactions were not protected from error and trust assets managed by the Clerk's Office were not safeguard from misappropriation.

During the summer of 2012, the Clerk's Office began experiencing software problems associated with a second cash receipt register. Due to lack of sufficient monitoring, the resulting problems included incomplete financial data that was not identified until February 2013. Bank reconciliations from June 2012 through January 2013 were performed by the Accounting Deputy; however, these reconciliations did not reconcile or they had unclear and unsupported reconciling items, ranging from \$800 to \$2,800 each

month. Due to lack of monitoring over the Accounting Deputy's duties, the insufficiency of these reconciliations was not discovered until February 2013. The Clerk's Office has recently been able to reconcile deposits; however, it is continuing to perform detailed research and examination of financial transactions and adjustments from 2012 and 2013 in order to balance the statements.

## **Recommendation**

We recommend the Clerk's Office develop and follow effective internal control procedures over the cash receipting and related financial activities of the Accounting Deputy position that will allow it to detect errors and losses in a timely manner. These should include:

- Independent review of all transaction adjustment reports to ensure that all adjustments are for appropriate reasons and have supporting documentation.
- Monitoring of the bank statement reconciliation process to ensure that reconciliations are performed timely and that reconciling items are valid transactions with appropriate supporting documentation.

## **County's Response**

*The County acknowledges that there have been a few deficiencies in some of its internal control procedures in recent periods. We thank the State Auditors for their recommendations. In an effort to address these control deficiencies, the County Clerk's Office has implemented the following procedures to address each of the Auditor's recommendations:*

- *Independent review of all transaction adjustment reports to ensure that all adjustments are for appropriate reasons and have supporting documentation.*

*Currently, two supervisors are reviewing all adjustment/reversal activity. Only supervisors and the Accounting Deputy are authorized to make adjustments. Reviews are done on a daily basis. Transaction adjustments and/or reports are reviewed by a supervisor on a daily basis, dated and initialed.*

- *Monitoring of the bank statement reconciliation process to ensure that reconciliations are performed timely and that reconciling items are valid transactions with appropriate supporting documentation.*

*Currently, bank reconciliations are being done on a monthly basis by the Accounting Deputy and reviewed on a monthly basis by the Clerk, dated and initialed.*

*The Clerk's Office is diligently working to reconcile all prior period reports. The Clerk's Office anticipates having all prior period reports reconciled and reviewed later this year. The Clerk's Office has implemented control procedures that will ensure that all monthly*

*bank statement reconciliations are performed timely and that adequate supporting documentation is timely reviewed and maintained for all reconciling items.*

## **Auditor's Remarks**

We appreciate the steps that the County is taking to correct this issue and thank the County for its cooperation and assistance during the audit. We look forward to reviewing the steps the County has taken during our next regular audit.

## **Applicable Laws and Regulations**

RCW 43.09.200 Local government accounting – Uniform system of accounting, states in part:

The state auditor shall formulate, prescribe, and install a system of accounting and reporting for all local governments, which shall be uniform for every public institution, and every public office, and every public account of the same class.

The 2013 *Budgeting, Accounting and Reporting System* (BARS) manual, Volume 1, Part 3, Chapter 1, states in part,

Internal control is defined by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), in standards adopted by the American Institute of Certified Public Accountants and by the Federal Office of Management and Budget as follows:

Internal control is a process – affected by those charged with governance, management and other personnel designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- Effectiveness and efficiency of operations
- Compliance with applicable laws and regulations
- Reliability of financial reporting

Management and the governing body are responsible for the government's performance, compliance and financial reporting. Therefore, the adequacy of internal control to provide reasonable assurance of achieving these objectives is also the responsibility of management and the governing body. The governing body has ultimate responsibility for ensuring adequate controls to achieve objectives, even though primary responsibility has been delegated to management. Since management and the governing body are assumed to work in harmony, both parties are collectively referred to as "management" throughout the rest of this section.

Internal control should be viewed as an integral or inherent part of the policies, systems and procedures management uses to operate and oversee the organization. This is not to say effective control will never require additional or incremental effort. Rather, controls exist to provide reasonable assurance about the achievement of objectives and so should be integrated into all the organization's fundamental business processes. Controls are normally most effective when built into the government's infrastructure rather than being treated as supplemental or separate processes. In the same way, implementation and monitoring of internal controls should not be viewed as a singular event, but rather a continuous or iterative process.

Since internal control is as fundamental as the objectives the controls relate to, the need for effective control is applicable to all organizations, regardless of size. While small entities may implement internal controls differently than larger ones, effective internal control is still both necessary and possible.

## **Status of Prior Audit Findings**

### **Grant County March 24, 2014**

The status of findings contained in the prior years' audit reports of Grant County is provided below:

**1. Grant County's controls and procedures are inadequate to ensure timely and accurate property tax assessments.**

Report No. 1007440, dated April 2, 2012

#### **Background**

The County Assessor's Office is responsible for the valuation of approximately 63,000 real property parcels. Assessed value for these parcels totaled approximately \$9 billion and \$8.8 billion for the 2011 and 2012 tax years, respectively.

We audited this area for fiscal year 2010 audit because the Assessor's Office was unable to ensure certain tasks related to tax assessments were completed according to the general timeframes established by state law and the Department of Revenue. These tasks include distributing and certifying property values and related information. Timely performance of these tasks is necessary to ensure accurate tax information is available to citizens and special purpose districts. Eighty-one taxing and benefit assessment districts rely on the valuation information the Assessor's Office provides to develop annual operating budgets.

#### **Status**

The Assessor's Office is to certify assessed property values to the Board of Equalization by July 15 of the year preceding the tax year and to submit certified assessed valuations to taxing districts by September of the year preceding the tax year. For the 2014 tax year, these tasks were completed on October 16, 2013 and October 9, 2013, respectively. In addition, the Assessor is to certify and deliver tax rolls to the Treasurer by January 15 of the tax year, and this was completed on January 23, 2014.

Although areas remain where tasks should be performed sooner, the Assessor's Office has significantly improved the timeliness of many of these processes, and continues to make further progress. For purposes of our audit, we consider this issue to be resolved.



## **ABOUT THE STATE AUDITOR'S OFFICE**

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The State Auditor's Office is established in the state's Constitution and is part of the executive branch of state government. The State Auditor is elected by the citizens of Washington and serves four-year terms.

We work with our audit clients and citizens as an advocate for government accountability. As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

The State Auditor's Office employees are located around the state to deliver services effectively and efficiently.

Our audits look at financial information and compliance with state, federal and local laws on the part of all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits of state agencies and local governments and fraud, whistleblower and citizen hotline investigations.

The results of our work are widely distributed through a variety of reports, which are available on our Web site and through our free, electronic subscription service.

We take our role as partners in accountability seriously. We provide training and technical assistance to governments and have an extensive quality assurance program.

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